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FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 1-14-03 HJR 19

SHORT TITLE: Property Tax Exemption for Veterans SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		See Fiscal Narrative		

(Parenthesis () Indicate Revenue Decreases)

Relates to:

- HB-71, Expand Disabled Veteran Exemption
- HB-84, Increase Veteran Tax Exemption
- HB-85, Expand Disabled Vet Exemption
- HB 184, Increase Veteran Tax Exemption
- HJR 2, Veterans Property Tax Exemption, CA
- SB 119, Increase Veteran's Tax Exemption
- SB 188, Implement Increased Veteran Tax Exemption
- SJR 19, Tax Exemption for Veterans

SOURCES OF INFORMATION

Responses Received From

SUMMARY

Synopsis of Bill

House Joint Resolution 19 proposes a constitutional amendment at the next general election to provide a property tax exemption totaling 20 percent of the taxable value of property owned by military retirees.

Applicable for tax years beginning on or after January 1, 2002

Significant Issues

Senate Joint Resolution 1, enacted in the 2001 legislative session, allowed voters to consider an amendment to the New Mexico Constitution increasing the current \$2,000 veteran exemption to \$2,500 in tax year 2003, \$3,000 in 2004, \$3,500 in 2005 and \$4,000 in 2006, where it would remain. Voters approved it.

FISCAL IMPLICATIONS

TRD notes the following fiscal impact assumptions:

- 20,000 military retirees in New Mexico;
- 70 percent of the New Mexico housing units are occupied by homeowners;
- Percent for veterans is assumed the same, therefore 14,000 military retirees would be able to claim the proposed exemption;
- Net taxable value of residential property in New Mexico currently totals approximately \$17.1 billion; (*Approximately 70 percent of this figure, or \$12 billion consists of owner-occupied residential property*)
- There are currently approximately 475 thousand owner-occupied housing units in New Mexico; and
- *Net* taxable value of owner-occupied housing units is approximately \$12 billion/475,000 or \$25,263 and the average taxable value is approximately \$27,000 ---\$25,263 plus the \$2,000 head of family exemption.¹
- The proposed exemption would provide an average reduction in taxable value of about 20 percent of \$27, 000, or \$5,400.
- This figure, multiplied by the statewide average 26 mill residential property tax rate, suggests a tax reduction of roughly \$140 annually per retiree, or \$140 x 14,000 = \$1.96 million for all retirees.
- The \$1.96 million figure is roughly .24 percent of the statewide total \$825 million in annual New Mexico property tax obligations.

As is the case with many other property tax exemptions, the proposed exemption would generally impose no significant revenue losses, but shift the property tax burden to individuals not receiving the deduction via rate increases. Since the total reduction in net taxable value is approximately .24 percent of the statewide total, rates would increase an average of .24 percent if voters approved the amendment. Local impacts would vary with tax rates, the fraction of property owners claiming the exemption, and other economic variables. Since statistics on the location of military retirees are not readily available, no attempt was made in this report to illustrate impacts by county and municipality.

¹ Multiplying this figure by three suggests a statewide average assessed value of approximately \$81,000.

Illustration New Mexico Housing Data

<i>County</i>	<i>Total Housing Units</i>	-----Occupied Housing Units-----				
		<i>Total</i>	<i>Owner-Occupied</i>		<i>Renter-Occupied</i>	
			<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Bernalillo	239,074	220,936	140,634	63.7	80,302	36.3
Catron	2,548	1,584	1,276	80.6	308	19.4
Chaves	25,647	22,561	16,000	70.9	6,561	29.1
Cibola	10,328	8,327	6,414	77.0	1,913	23.0
Colfax	8,959	5,821	4,224	72.6	1,597	27.4
Curry	19,212	16,766	9,958	59.4	6,808	40.6
De Baca	1,307	922	719	78.0	203	22.0
Dona Ana	65,210	59,556	40,208	67.5	19,348	32.5
Eddy	22,249	19,379	14,391	74.3	4,988	25.7
Grant	14,066	12,146	9,041	74.4	3,105	25.6
Guadalupe	2,160	1,655	1,222	73.8	433	26.2
Harding	545	371	279	75.2	92	24.8
Hidalgo	2,848	2,152	1,462	67.9	690	32.1
Lea	23,405	19,699	14,301	72.6	5,398	27.4
Lincoln	15,298	8,202	6,336	77.2	1,866	22.8
Los Alamos	7,937	7,497	5,894	78.6	1,603	21.4
Luna	11,291	9,397	7,043	74.9	2,354	25.1
McKinley	26,718	21,476	15,544	72.4	5,932	27.6
Mora	2,973	2,017	1,663	82.4	354	17.6
Otero	29,272	22,984	15,372	66.9	7,612	33.1
Quay	5,664	4,201	2,968	70.6	1,233	29.4
Rio Arriba	18,016	15,044	12,281	81.6	2,763	18.4
Roosevelt	7,746	6,639	4,163	62.7	2,476	37.3
Sandoval	34,866	31,411	26,257	83.6	5,154	16.4
San Juan	43,221	37,711	28,419	75.4	9,292	24.6
San Miguel	14,254	11,134	8,142	73.1	2,992	26.9
Santa Fe	57,701	52,482	35,985	68.6	16,497	31.4
Sierra	8,727	6,113	4,578	74.9	1,535	25.1
Socorro	7,808	6,675	4,746	71.1	1,929	28.9
Taos	17,404	12,675	9,570	75.5	3,105	24.5
Torrance	7,257	6,024	5,055	83.9	969	16.1
Union	2,225	1,733	1,265	73.0	468	27.0
Valencia	24,643	22,681	19,035	83.9	3,646	16.1
Total	750,579	677,971	474,445	70.0	203,526	30.0

Information source: Bureau of Business and Economic Research, University of New Mexico <http://www.unm.edu/~bber/census/demoprof/CoFamTen90&00.xls>